

LAINGSBURG COMMUNITY SCHOOLS

LAINGSBURG, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 29, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Laingsburg Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laingsburg Community Schools as of and for the year ended June 30, 2004, which collectively comprise the Laingsburg Community Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Laingsburg Community Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Laingsburg Community Schools as of June 30, 2004, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2004, on our consideration of the Laingsburg Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the School District has implemented a new financial reporting model, as required by the provisions of the *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages II through VII and 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Laingsburg Community Schools' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Laingsburg Community Schools, a K-12 school District located in Shiawassee County, Michigan, is in its first year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Laingsburg Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

District Wide Financial Statements: (Continued)

These two statements report the Laingsburg Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal year ended June 30, 2004:

NET ASSETS SUMMARY

	<u>2004</u>
<u>ASSETS</u>	
Current Assets	\$3,590,665
Non-Current Assets	<u>20,943,669</u>
<u>TOTAL ASSETS</u>	<u><u>\$24,534,334</u></u>
<u>LIABILITIES</u>	
Current Liabilities	\$4,031,127
Long-Term Liabilities	<u>22,871,716</u>
Total Liabilities	\$26,902,843
<u>NET ASSETS</u>	
Invested in Capital Assets - Net of Related Debt	(2,698,047)
Restricted - Debt Service	224,914
Restricted - Capital Projects	190,381
Unrestricted	<u>(85,757)</u>
Total Net Assets	<u><u>(\$2,368,509)</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$24,534,334</u></u>

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal year ended June 30, 2004, the District wide results of operations were:

	<u>2004</u>
<u>REVENUES</u>	
<u>General Revenues:</u>	
Property Taxes Levied for General Operations	\$229,467
Property Taxes Levied for Debt Service	1,223,282
State of Michigan Unrestricted Foundation Aid	8,413,372
Other General Revenues	<u>128,301</u>
Total General Revenues	\$9,994,422
<u>Operating Grants:</u>	
Federal	304,512
State of Michigan	219,135
Other Operating Grants	<u>101,824</u>
Total Operating Grants	\$625,471
<u>Charges for Services:</u>	
Food Service	190,746
Athletics	43,755
Other Charges for Services	<u>167,259</u>
Total Charges for Services	<u>\$401,760</u>
Total Revenues	\$11,021,653
<u>EXPENSES</u>	
Instruction & Instructional Support	5,854,574
Support Services	3,228,286
Community Services	257,024
Food Service	333,389
Athletics	175,440
Interest on Long-Term Debt	2,005,352
Depreciation	<u>553,933</u>
Total Expenses	<u>\$12,407,998</u>
<u>(DECREASE) IN NET ASSETS</u>	(\$1,386,345)
<u>BEGINNING NET ASSETS</u>	<u>(982,164)</u>
<u>ENDING NET ASSETS</u>	<u><u>(\$2,368,509)</u></u>

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets decreased by \$1,386,345 to a total of (\$2,368,509). The majority of the decrease in Total Net Assets was due to additional borrowing from the Michigan School Bond Loan Fund and depreciation on the district's capital assets. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) was (\$2,698,047) at June 30, 2004. The district's Unrestricted Net Assets was (\$85,757) at June 30, 2004 and the district's restricted portion of its nets assets was \$415,295 at year end. The restricted portion of Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$80,073 during the year with the decrease coming primarily in cash. Revenues for the year decreased by \$3,124. Expenditures and other financing uses increased by \$169,393. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)
The State of Michigan aid, unrestricted, is determined with the following variables:
 - a. State of Michigan State Aid Act per student foundation allowance
 - b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
 - c. The District's non-homestead tax levy.
2. Per Student, Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. The Laingsburg Community Schools foundation allowance was \$6,700 per student for the 2003-2004 school year. The foundation allowance was decreased by \$74 per student from \$6,700 to \$6,626 as the result of a mid-year executive order by the governor.
3. Student Enrollment:
The District's 2003-04 blended student enrollment for state aid purposes was 1,325 students. An increase of 24 students from the prior year.

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 15.475 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$229,467.

Capital Projects Fund

The district's capital project fund balance decreased by \$5,189,595 as the bond issue approved by voters in 2001 neared its completion. At June 30, 2004, the capital projects fund had \$190,381 of bond proceeds and investment earnings remaining to be expended in the next fiscal year.

Other Non-Major Governmental Funds

Debt Retirement Fund

The districts debt retirement fund balance decreased by \$134,091. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$1,807,029 in paying the required interest and principal payments of the school's bonded debt. The majority of the funds revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) In Lieu of Taxes that are essentially taxed at 50 percent of the regular tax rate.

For 2003-2004, the District's debt millage levy was 8.70 mills that generated revenue of \$1,223,282.

Special Revenue Funds

The districts special revenue funds provide food service and athletic opportunities to students. During the year the fund balances increased by \$6,542.

GENERAL FUND BUDGET VS. ACTUAL

Fiscal Year	Original Budget	Final Budget	Actual	Variance Original	Variance Actual
				& Final Budget %	& Final Budget %
Revenue	\$9,347,443	\$9,448,335	\$9,398,878	1.08%	(0.52)
Expenditures	9,432,873	9,486,529	9,478,951	0.57%	0.08
<u>TOTAL</u>	<u>(\$85,430)</u>	<u>(\$38,194)</u>	<u>(\$80,073)</u>		

LAINGSBURG COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Laingsburg Community Schools amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year. There were no significant variations between the original and final budget or the final budgets and the actual results for the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-1-03	Increases 6-30-04	Principal Payments 6-30-04	Principal Balance 6-30-04
General Obligation Bonds	\$21,525,000	\$0	\$725,000	\$20,800,000
Durant Bonds	36,676	0	0	36,676
MI School Bond Loan Fund	2,358,796	446,244	0	2,805,040
<u>Total Long-Term Debt</u>	<u>\$23,920,472</u>	<u>\$446,244</u>	<u>\$725,000</u>	<u>\$23,641,716</u>

The significant increase to the District's long-term debt was from an additional \$446,244 borrowing from the Michigan School Bond Loan Fund.

B. Capital Assets

The district's net investment in capital assets increased by \$14,131,948 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$10,958,037	\$14,964,980	\$85,436	\$25,837,581
Less: Accumulated Depreciation	(4,146,316)	(747,596)	0	(4,893,912)
<u>Net Investment Capital Outlay</u>	<u>\$6,811,721</u>	<u>\$14,217,384</u>	<u>\$85,436</u>	<u>\$20,943,669</u>

The significant additions to the District's capital assets were from the completion of several projects funded by the building and site bonds approved by the District's voters in 2001. The \$14,600,000 bond-funded project included the construction of a new middle school and significant additions and renovations to the District's other instructional facilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Laingsburg Community Schools.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,979,484
Due from Other Governmental Units	1,607,104
Inventory	4,077
Total Current Assets	<u>\$3,590,665</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	25,837,581
Less: Accumulated Depreciation	<u>(4,893,912)</u>
Total Noncurrent Assets	<u>\$20,943,669</u>
<u>TOTAL ASSETS</u>	<u>\$24,534,334</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	41,736
State Aid Note Payable	1,450,000
Salaries Payable	757,310
Accrued Expenses	992,520
Deferred Revenue	19,561
Current Portion of Long-Term Obligations	770,000
Total Current Liabilities	<u>\$4,031,127</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>22,871,716</u>
<u>TOTAL LIABILITIES</u>	<u>\$26,902,843</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	(2,698,047)
Restricted for:	
Debt Service	224,914
Capital Projects	190,381
Unrestricted	<u>(85,757)</u>
<u>TOTAL NET ASSETS</u>	<u><u>(\$2,368,509)</u></u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
STATEMENT OF ACTIVITIES
JUNE 30, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$5,854,574	\$0	\$410,667	(\$5,443,907)
Support Services	3,228,286	167,259	107,565	(2,953,462)
Community Services	257,024	0	0	(257,024)
Food Service	333,389	190,746	107,239	(35,404)
Athletics	175,440	43,755	0	(131,685)
Interest on Long-Term Obligations	2,005,352	0	0	(2,005,352)
Depreciation - Unallocated	553,933	0	0	(553,933)
<u>TOTALS</u>	<u>\$12,407,998</u>	<u>\$401,760</u>	<u>\$625,471</u>	<u>(\$11,380,767)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,452,749
State Aid				8,413,372
Grants and Contributions Not Restricted to				
Specific Programs				40,119
Investment Earnings				63,355
(Loss) on Sale of Investments				(31,586)
Miscellaneous				56,413
Total General Revenues and Transfers				<u>\$9,994,422</u>
Change in Net Assets				<u>(\$1,386,345)</u>
Net Assets - Beginning - As Restated				<u>(982,164)</u>
<u>Net Assets - Ending</u>				<u>(\$2,368,509)</u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$1,561,677	\$190,381	\$227,426	\$1,979,484
Due from Other Funds	0	0	1,541	1,541
Due from Other Governmental Units	1,604,317	0	2,787	1,607,104
Inventory	0	0	4,077	4,077
<u>TOTAL ASSETS</u>	<u>\$3,165,994</u>	<u>\$190,381</u>	<u>\$235,831</u>	<u>\$3,592,206</u>
<u>LIABILITIES</u>				
Accounts Payable	\$41,736	\$0	\$0	\$41,736
State Aid Note Payable	1,450,000	0	0	1,450,000
Due to Other Funds	1,541	0	0	1,541
Salaries Payable	757,310	0	0	757,310
Accrued Expenses	67,660	0	1,537	69,197
Deferred Revenue	19,561	0	0	19,561
Total Liabilities	\$2,337,808	\$0	\$1,537	\$2,339,345
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	0	0	4,077	4,077
Debt Retirement	0	0	224,914	224,914
Capital Projects	0	190,381	0	190,381
Unreserved:				
Undesignated, Reported In:				
General Fund	828,186	0	0	828,186
School Service Funds	0	0	5,303	5,303
Total Fund Balances	\$828,186	\$190,381	\$234,294	\$1,252,861
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$3,165,994</u>	<u>\$190,381</u>	<u>\$235,831</u>	<u>\$3,592,206</u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances:			\$1,252,861
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$22,002,176 and the accumulated depreciation is \$4,811,912			20,943,669
Accrued Interest on Long-Term Debt			(923,323)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds Payable		\$20,836,676	
MI School Bond Loan		2,805,040	
Total Long-Term Liabilities			<u>(23,641,716)</u>
<u>TOTAL NET ASSETS -</u>			
<u>GOVERNMENTAL ACTIVITIES</u>			<u><u>(\$2,368,509)</u></u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$467,912	\$51,464	\$1,495,657	\$2,015,033
State Sources	8,614,424	0	18,083	8,632,507
Federal Sources	215,356	0	89,156	304,512
Total Revenues	\$9,297,692	\$51,464	\$1,602,896	\$10,952,052
<u>EXPENDITURES</u>				
Current:				
Instruction	5,994,558	0	0	5,994,558
Student Services	266,585	0	0	266,585
Instructional Support	182,324	0	0	182,324
General Administration	226,686	0	0	226,686
School Administration	668,686	0	0	668,686
Business Administration	331,059	0	0	331,059
Operation & Maintenance of Plant	1,011,307	0	0	1,011,307
Transportation	395,131	0	0	395,131
Community Services	257,024	0	0	257,024
Food Service	0	0	481,415	481,415
Debt Service	0	0	1,807,029	1,807,029
Capital Projects				
Construction	0	4,266,741	0	4,266,741
Equipment	0	561,904	0	561,904
Other	0	1,160	0	1,160
Purchased Services	0	379,668	0	379,668
Total Expenditures	\$9,333,360	\$5,209,473	\$2,288,444	\$16,831,277
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$35,668)	(\$5,158,009)	(\$685,548)	(\$5,879,225)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) Other Funds	(111,755)	0	111,755	0
Other Transfers	67,350	(31,586)	446,244	482,008
Total Other Financing Sources (Uses)	(\$44,405)	(\$31,586)	\$557,999	\$482,008
Net Change in Fund Balance	(\$80,073)	(\$5,189,595)	(\$127,549)	(\$5,397,217)
<u>FUND BALANCE - BEGINNING</u>	908,259	5,379,976	361,843	6,650,078
<u>FUND BALANCE - ENDING</u>	\$828,186	\$190,381	\$234,294	\$1,252,861

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds	(\$5,397,217)
--	---------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

4,655,439

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.

725,000

Loan Proceeds

(446,244)

Change in accrued interest on long-term liabilities

(923,323)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(\$1,386,345)

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	<u>Trust & Agency</u>	<u>Private Purpose Trusts</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$76,177	\$41,403	\$117,580
<u>LIABILITIES</u>			
Due to Student Groups	<u>76,177</u>	<u>0</u>	<u>76,177</u>
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$41,403</u>	<u>\$41,403</u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Private Purpose Trusts</u>
<u>REVENUE</u>	
Interest	\$939
Donations	850
Total Revenue	<u>\$1,789</u>
<u>EXPENDITURES</u>	
Scholarships	<u>2,105</u>
<u>CHANGE IN NET ASSETS</u>	(\$316)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>41,719</u>
<u>NET ASSETS - END OF YEAR</u>	<u><u>\$41,403</u></u>

See accompanying notes to the basic financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Laingsburg Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

Expendable Trust Funds – The expendable trust funds consists of the following funds:

Margaret Scoutten Scholarship Fund – This fund is used to account for funds entrusted to the School District for scholarship awards.

Raymond O. Nash Memorial Fund – This fund is used to account for funds entrusted to the School District for scholarship awards.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

Accumulated unpaid sick pay and personal days are not accrued by the School District. Substantially all District employees are allowed to accumulate a limited number of sick days; however, these days do not vest to the employee and are not payable upon termination.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2004, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

The District did not approve a budget for the Capital Projects Fund for the year ended June 30, 2004.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2004: Citizen Bank and MILAF.

The District's deposits are in accordance with statutory authority.

Undeposited Cash – At June 30, 2004, the School District had \$150 of petty cash on hand which is included as part of "cash and cash equivalents."

At June 30, 2004, the carrying amount of the School District's deposits was \$2,079,071 and the bank balance was \$2,466,429. \$542,311 of the bank balance was covered by federal depository insurance and \$1,924,118 was uninsured and uncollateralized.

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

At June 30, 2004, the District had no investments.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$1,561,546
Federal Grants	45,558
<u>TOTAL</u>	<u>\$ 1,607,104</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004, the District had no estimated claims payable in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,450,000 at 1.03 % interest per annum on August 20, 2003, from Bank One on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 20, 2004.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2004</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$8,133,743	\$13,641,214	\$0	\$21,774,957
Land Improvements	1,023,700	900,000	0	1,923,700
Equipment and Furniture	901,295	423,766	0	1,325,061
Vehicles	899,299	0	85,436	813,863
Totals at Historical Cost	\$10,958,037	\$14,964,980	\$85,436	\$25,837,581
Less: Accumulated Depreciation				
Buildings and Improvements	(2,590,672)	(450,370)	0	(3,041,042)
Land Improvements	(497,330)	(96,185)	0	(593,515)
Equipment and Furniture	(518,348)	(123,290)	0	(641,638)
Vehicles	(539,966)	(77,751)	0	(617,717)
Total Accumulated Depreciation	<u>(\$4,146,316)</u>	<u>(\$747,596)</u>	<u>\$0</u>	<u>(\$4,893,912)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$6,811,721</u>	<u>\$14,217,384</u>	<u>\$85,436</u>	<u>\$20,943,669</u>

LAINGSBURG COMMUNITY SCHOOLS – LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

9) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as “unallocated”. Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 53,577
Support Services	112,672
Food Service	5,790
Athletics	21,624
Unallocated	<u>553,933</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 747,596</u>

10) GENERAL LONG-TERM DEBT

A) 1996 Refunding Bonds

Laingsburg Community Schools issued the 1991 General Obligation Bonds to provide funds for the acquisition, construction and improvement of major capital facilities. In 1996, a refunding bond was issued to be used to redeem the bonds and interest due on the 1991 bond issue from the years 2002 through 2021. The balance at June 30, 2004 was \$6,875,000.

B) 2001 School Building and Site Bonds

Laingsburg Community Schools issued 2001 School Building and Site Bonds dated August 1, 2001, in the amount of \$14,600,000, bearing interest at rates varying from 2.85% to 5.25% per annum. The District issued these bonds to remodel, refurbish, and re-equip schools; as well as erect, furnish and equip a new middle school. The balance of the bonds as of June 30, 2004 was \$13,925,000.

C) Durant Resolution Package Bonds

Laingsburg Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$57,409 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$36,676. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10) GENERAL LONG-TERM DEBT (Continued)

D) Annual Principal Requirements

The annual principal requirements for all debt outstanding as of June 30, 2004 are as follows:

	BONDS		
	PAYABLE	INTEREST	TOTAL
June 30, 2005	\$770,000	\$1,051,796	\$1,821,796
June 30, 2006	792,779	1,020,779	1,813,558
June 30, 2007	837,910	986,498	1,824,408
June 30, 2008	863,050	949,270	1,812,320
June 30, 2009	858,195	909,949	1,768,144
June 30, 2010-2014	4,554,742	3,925,822	8,480,564
June 30, 2015-2019	4,775,000	2,714,026	7,489,026
June 30, 2020-2024	3,535,000	1,504,846	5,039,846
June 30, 2025-2029	2,750,000	721,876	3,471,876
June 30, 2030-2031	1,100,000	86,624	1,186,624
<u>TOTAL</u>	<u>\$20,836,676</u>	<u>\$13,871,486</u>	<u>\$34,708,162</u>

The interest expenditures on long-term obligations for the year were \$1,081,270.

E) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	JULY 1, 2003	ADDITIONS	DEDUCTIONS	JUNE 30, 2004	IN ONE YEAR
General Obligation Bonds	\$21,525,000	\$0	\$725,000	\$20,800,000	\$770,000
Durant Bonds	36,676	0	0	36,676	0
MI School Bond Loan Fund	2,358,796	446,244	0	2,805,040	0
<u>Total Governmental Activities</u>	<u>\$23,920,472</u>	<u>\$446,244</u>	<u>\$725,000</u>	<u>\$23,641,716</u>	<u>\$770,000</u>

11) RESTATEMENT OF GOVERNMENT-WIDE NET ASSETS

For the fiscal year ended June 30, 2004, the School District implemented GASB Statement 34. As a result, capital assets and accumulated depreciation were recorded for the first time. Net assets were restated as of July 1, 2003 for the recording of accumulated depreciation. See July 1, 2003 balances illustrated in Note 10.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

12) INTERFUND ACTIVITY

Interfund balances at June 30, 2004 consisted of the following:

DUE FROM	
DUE TO	SPECIAL
	REVENUE
	<u>FUND</u>
General Fund	<u>\$1,541</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

Transfers From	
Transfers To	GENERAL
	<u>FUND</u>
Athletics Fund	<u>\$111,755</u>

These transfers were made to subsidize the cost of services for athletics.

14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

14) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$781,584, \$744,378 and \$683,776, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

15) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

16) CONTINGENCIES AND COMMITMENTS

Federal Programs

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor agencies.

REQUIRED
SUPPLEMENTARY
INFORMATION

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$470,934	\$413,458	\$467,912	\$54,454
State Sources	8,530,270	8,703,902	8,614,424	(89,478)
Federal Sources	240,834	225,570	215,356	(10,214)
Total Revenues	<u>\$9,242,038</u>	<u>\$9,342,930</u>	<u>\$9,297,692</u>	<u>(\$45,238)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	6,080,505	5,887,710	5,994,558	(106,848)
Student Services	236,047	301,172	266,585	34,587
Instructional Support	195,242	184,627	182,324	2,303
General Administration	190,626	227,488	226,686	802
School Administration	695,679	654,678	668,686	(14,008)
Business Administration	306,792	320,559	331,059	(10,500)
Operation & Maintenance of Plant	973,200	1,042,547	1,011,307	31,240
Transportation	409,056	386,885	395,131	(8,246)
Community Services	267,971	257,957	257,024	933
Total Expenditures	<u>\$9,355,118</u>	<u>\$9,263,623</u>	<u>\$9,333,360</u>	<u>(\$69,737)</u>
Excess of Revenues Over Expenditures	<u>(\$113,080)</u>	<u>\$79,307</u>	<u>(\$35,668)</u>	<u>(\$114,975)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>27,650</u>	<u>(117,501)</u>	<u>(44,405)</u>	<u>73,096</u>
Net Change in Fund Balance	<u>(\$85,430)</u>	<u>(\$38,194)</u>	<u>(\$80,073)</u>	<u>(\$41,879)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>908,259</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$828,186</u>	

OTHER SUPPLEMENTAL
INFORMATION

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004

	School Service Fund	Debt Retirement Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$2,512	\$224,914	\$227,426
Due from Other Funds	1,541	0	1,541
Due from Other Governmental Units	2,787	0	2,787
Inventory	4,077	0	4,077
<u>TOTAL ASSETS</u>	<u>\$10,917</u>	<u>\$224,914</u>	<u>\$235,831</u>
<u>LIABILITIES</u>			
Accrued Expenses	\$1,537	\$0	\$1,537
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	4,077	0	4,077
Debt Retirement	0	224,914	224,914
Unreserved:			
Undesignated, Reported In:			
School Service Fund	5,303	0	5,303
Total Fund Balances	<u>\$9,380</u>	<u>\$224,914</u>	<u>\$234,294</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$10,917</u>	<u>\$224,914</u>	<u>\$235,831</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	School Service Fund	Debt Retirement Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$268,963	\$1,226,694	\$1,495,657
State Sources	18,083	0	18,083
Federal Sources	89,156	0	89,156
Total Revenues	<u>\$376,202</u>	<u>\$1,226,694</u>	<u>\$1,602,896</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>111,755</u>	<u>446,244</u>	<u>557,999</u>
Total Revenues & Other Financing Sources	<u>\$487,957</u>	<u>\$1,672,938</u>	<u>\$2,160,895</u>
<u>EXPENDITURES</u>			
Food Service	481,415	0	481,415
Debt Service	0	1,807,029	1,807,029
Total Expenditures	<u>\$481,415</u>	<u>\$1,807,029</u>	<u>\$2,288,444</u>
Net Change in Fund Balance	<u>\$6,542</u>	<u>(\$134,091)</u>	<u>(\$127,549)</u>
<u>NET ASSETS - BEGINNING</u>	<u>2,838</u>	<u>359,005</u>	<u>361,843</u>
<u>NET ASSETS - ENDING</u>	<u><u>\$9,380</u></u>	<u><u>\$224,914</u></u>	<u><u>\$234,294</u></u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
SCHOOL SERVICE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$0	\$2,512	\$2,512
Due from Other Funds	1,541	0	1,541
Due from Other Governmental Units	2,787	0	2,787
Inventory	<u>4,077</u>	<u>0</u>	<u>4,077</u>
<u>TOTAL ASSETS</u>	<u>\$8,405</u>	<u>\$2,512</u>	<u>\$10,917</u>
<u>LIABILITIES</u>			
Accrued Expenses	\$1,537	\$0	\$1,537
<u>FUND EQUITY</u>			
Reserved for Inventory	4,077	0	4,077
Unreserved and Undesignated	<u>2,791</u>	<u>2,512</u>	<u>5,303</u>
Total Fund Equity	<u>\$6,868</u>	<u>\$2,512</u>	<u>\$9,380</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$8,405</u>	<u>\$2,512</u>	<u>\$10,917</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
SCHOOL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$190,746	\$0	\$190,746
Athletic Activities	0	43,755	43,755
Other Local Sources	34,462	0	34,462
Total Local Sources	<u>\$225,208</u>	<u>\$43,755</u>	<u>\$268,963</u>
<u>State Sources</u>			
State Reimbursements	18,083	0	18,083
<u>Federal Sources</u>			
Federal Reimbursements	54,838	0	54,838
Commodities	34,318	0	34,318
Total Federal Sources	<u>\$89,156</u>	<u>\$0</u>	<u>\$89,156</u>
Total Revenues	<u>\$332,447</u>	<u>\$43,755</u>	<u>\$376,202</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	111,755	111,755
Total Revenues and Other Financing Sources	<u>\$332,447</u>	<u>\$155,510</u>	<u>\$487,957</u>
<u>EXPENDITURES</u>			
Salaries - Non-Professional	112,650	98,555	211,205
Insurances	16,413	0	16,413
Fica, Retirement, Etc.	23,080	13,824	36,904
Purchased Services	1,947	20,111	22,058
Supplies and Materials	164,487	14,566	179,053
Capital Outlay	8,583	773	9,356
Other	439	5,987	6,426
Total Expenditures	<u>\$327,599</u>	<u>\$153,816</u>	<u>\$481,415</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$4,848</u>	<u>\$1,694</u>	<u>\$6,542</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$2,020</u>	<u>\$818</u>	<u>\$2,838</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$6,868</u>	<u>\$2,512</u>	<u>\$9,380</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
DEBT RETIREMENT FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	<u>1996</u> <u>DEBT</u>	<u>2001</u> <u>DEBT</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$191,364</u>	<u>\$33,550</u>	<u>\$224,914</u>
<u>TOTAL ASSETS</u>	<u>\$191,364</u>	<u>\$33,550</u>	<u>\$224,914</u>
<u>FUND EQUITY</u>			
Reserved for Debt Retirement	<u>\$191,364</u>	<u>\$33,550</u>	<u>\$224,914</u>
<u>TOTAL FUND EQUITY</u>	<u>\$191,364</u>	<u>\$33,550</u>	<u>\$224,914</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>1996</u> <u>DEBT</u>	<u>2001</u> <u>DEBT</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	\$804,308	\$418,974	\$1,223,282
Earnings on Investments and Deposits	1,631	1,781	3,412
Total Local Sources	<u>\$805,939</u>	<u>\$420,755</u>	<u>\$1,226,694</u>
<u>OTHER FINANCING SOURCES</u>			
Loan Proceeds	181,804	264,440	446,244
Total Revenues and Other Financing Sources	<u>\$987,743</u>	<u>\$685,195</u>	<u>\$1,672,938</u>
<u>EXPENDITURES</u>			
Redemption of Bonds	425,000	300,000	725,000
Interest Expense	377,208	704,062	1,081,270
Agent and Other Fees	51	708	759
Total Expenditures	<u>\$802,259</u>	<u>\$1,004,770</u>	<u>\$1,807,029</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$185,484</u>	<u>(\$319,575)</u>	<u>(\$134,091)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$5,880</u>	<u>\$353,125</u>	<u>\$359,005</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$191,364</u>	<u>\$33,550</u>	<u>\$224,914</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
FOR THE YEAR ENDED JUNE 30, 2004

REVENUES FROM
Local Sources

Property Tax Levy	\$229,467
Earnings on Investments and Deposits	8,478
Tuition	29,983
Drivers Ed Fees	15,675
Childcare Fees	121,601
Donations	34,773
Medicaid	2,276
Other Local Revenues	25,659
Total Revenues from Local Sources	<u>\$467,912</u>

State Sources

State Aid	8,413,372
At Risk	56,295
Special Education	111,009
Durant	5,741
Vocational Education	85
Michigan School Readiness	13,200
Golden Apple	3,171
Driver Education	11,551
Total Revenues from State Sources	<u>\$8,614,424</u>

Federal Sources

Title I	40,161
Title I Carryover	29,483
Technology Literacy Challenge	2,026
Improving Teacher Quality	72,913
CM White Physical Fitness - Pep Grant	4,000
21st Century Community Learning	64,633
Title V	107
Drug Free Schools	2,033
Total Revenues from Federal Sources	<u>\$215,356</u>
Total Revenues	<u>\$9,297,692</u>

OTHER FINANCING SOURCES

County Special Education Tax	99,548
Sale of Vehicles	1,530
Other Transactions	108
Total Other Financing Sources	<u>\$101,186</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES
\$9,398,878

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION
BASIC PROGRAMS
Elementary

Salaries - Professional	\$1,478,638
Salaries - Non-Professional	201,254
Insurances	274,070
Fica, Retirement, Etc.	344,443
Purchased Services	5,644
Supplies and Materials	63,718
Capital Outlay	12,099
Other	14,876
Total Elementary	<u>\$2,394,742</u>

Middle School

Salaries - Professional	815,244
Salaries - Non-Professional	87,047
Insurances	133,963
Fica, Retirement, Etc.	183,197
Purchased Services	1,128
Supplies and Materials	49,153
Capital Outlay	897
Other	6,966
Total Middle School	<u>\$1,277,595</u>

High School

Salaries - Professional	957,743
Salaries - Non-Professional	124,472
Insurances	194,540
Fica, Retirement, Etc.	213,612
Purchased Services	73,868
Supplies and Materials	70,791
Capital Outlay	39,001
Other	4,104
Total High School	<u>\$1,678,131</u>

Preschool

Salaries - Non-Professional	48,966
Fica, Retirement, Etc.	10,107
Purchased Services	593
Supplies and Materials	2,047
Other	902
Total Preschool	<u>\$62,615</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION (Continued)

BASIC PROGRAMS (Continued)

Drivers Ed - High School

Salaries - Professional	\$18,423
Fica, Retirement, Etc.	3,509
Purchased Services	5,584
Supplies and Materials	885
Total Drivers Ed - High School	<u>\$28,401</u>

Total Basic Programs	\$5,441,484
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ADDED NEEDS

SPECIAL EDUCATION

Salaries - Professional	224,578
Salaries - Non-Professional	36,804
Insurances	41,390
Fica, Retirement, Etc.	53,949
Purchased Services	591
Supplies and Materials	1,843
Other	87
Total Special Education	<u>\$359,242</u>

COMPENSATORY EDUCATION

Salaries - Professional	105,617
Salaries - Non-Professional	20,000
Insurances	12,082
Fica, Retirement, Etc.	25,928
Purchased Services	8,500
Supplies and Materials	12,653
Total Compensatory Education	<u>\$184,780</u>

Vocational Education - High School

Purchased Services	4,808
Supplies and Materials	4,244
Total Vocational Education	<u>\$9,052</u>

Total Added Needs	<u>\$553,074</u>
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Total Instruction	\$5,994,558
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SUPPORT SERVICES

STUDENT SERVICES

Salaries - Professional	168,530
Salaries - Non-Professional	18,570
Insurances	22,430
Fica, Retirement, Etc.	38,520
Purchased Services	17,475
Supplies and Materials	1,060
Total Student Services	<u>\$266,585</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGANGENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USESFOR THE YEAR ENDED JUNE 30, 2004SUPPORT SERVICES (Continued)INSTRUCTIONAL STAFF

Salaries - Professional	\$66,317
Salaries - Non-Professional	7,823
Insurances	10,347
Fica, Retirement, Etc.	34,232
Purchased Services	34,843
Supplies and Materials	27,862
Capital Outlay	900
Total Instructional Staff	<u>\$182,324</u>

GENERAL ADMINISTRATIONBoard of Education

Salaries - Professional	1,400
Purchased Services	10,435
Supplies and Materials	8,724
Other	8,286
Total Board of Education	<u>\$28,845</u>

Executive Administration

Salaries - Professional	111,304
Salaries - Non-Professional	29,217
Insurances	15,180
Fica, Retirement, Etc.	21,650
Purchased Services	11,119
Supplies and Materials	2,600
Other	6,771
Total Executive Administration	<u>\$197,841</u>

Total General Administration

\$226,686

SCHOOL ADMINISTRATION

Salaries - Professional	349,466
Salaries - Non-Professional	103,166
Insurances	96,194
Fica, Retirement, Etc.	98,421
Other Benefits	5,000
Purchased Services	9,742
Supplies and Materials	6,697
Total School Administration	<u>\$668,686</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)

BUSINESS OFFICE

Salaries - Professional	\$96,924
Salaries - Non-Professional	31,776
Insurances	48,970
Fica, Retirement, Etc.	26,552
Other Benefits	300
Purchased Services	109,698
Supplies and Materials	16,539
Other	300
Total Business Office	<u>\$331,059</u>

OPERATION AND MAINTENANCE OF PLANT

Salaries - Professional	52,049
Salaries - Non-Professional	331,163
Insurances	90,352
Fica, Retirement, Etc.	78,552
Other Benefits	300
Purchased Services	406,716
Supplies and Materials	41,326
Capital Outlay	9,472
Other	1,377
Total Operation and Maintenance of Plant	<u>\$1,011,307</u>

TRANSPORTATION

Salaries - Professional	28,923
Salaries - Non-Professional	235,006
Insurances	5,133
Fica, Retirement, Etc.	53,399
Purchased Services	31,806
Supplies and Materials	37,650
Capital Outlay	2,552
Other	662
Total Transportation	<u>\$395,131</u>

Total Support Services

\$3,081,778

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGANGENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USESFOR THE YEAR ENDED JUNE 30, 2004COMMUNITY SERVICES

Salaries - Professional	\$85,603
Salaries - Non-Professional	74,901
Insurances	11,047
Fica, Retirement, Etc.	32,240
Purchased Services	4,803
Supplies and Materials	21,109
Capital Outlay	25,100
Other	2,221
Total Community Services	<u>\$257,024</u>

TOTAL EXPENDITURES

\$9,333,360

OTHER FINANCING USES

Other Transfers	22,786
Transfer to Other Districts	11,050
Transfer to Other Funds	111,755
Total Other Financing Uses	<u>\$145,591</u>

TOTAL EXPENDITURES AND OTHER
FINANCING USES\$9,478,951

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
High School Activities:				
AP Eng/Media	\$214	\$1,964	\$2,087	\$91
Art Fund	315	0	26	289
Athletic Tournament	7,715	16,580	14,641	9,654
Band	446	185	702	(71)
Class of 1994	928	0	928	0
Class of 1995	66	0	0	66
Class of 1998	1,038	0	1,038	0
Class of 2000	622	0	0	622
Class of 2001	221	1	0	222
Class of 2002	169	0	0	169
Class of 2003	1,339	0	0	1,339
Class of 2004	5,366	2,064	1,427	6,003
Class of 2005	754	10,587	7,069	4,272
Class of 2006	400	1,376	2,148	(372)
Class of 2007	0	6,703	5,908	795
CMAC	1,788	0	1,788	0
Dining w/Young Artists	564	1,636	1,976	224
Drama Club	1,882	10,603	9,421	3,064
English Text Fines	18	0	0	18
Environmental Science	3,285	418	1,028	2,675
Foods	258	0	204	54
Football	1,422	7,685	8,775	332
Foreign Exchange	3,265	4,452	5,880	1,837
Future Farmers	(3,638)	20,799	21,682	(4,521)
Girls Basketball	499	3,812	3,888	423
Golf	0	336	240	96
HS Technology	4,701	11,870	17,032	(461)
Interest	84	285	352	17
LAPA	1,353	1,042	297	2,098
Library Fines	63	20	0	83
Math Club	106	0	0	106
Miscellaneous	(3,310)	10,891	8,133	(552)
National Honor Society	89	1,434	1,486	37
PALS	78	0	0	78
Parenthood	91	492	214	369
Patio	3,368	325	0	3,693
Pepsi	508	29,188	32,613	(2,917)
Plan/PSAT/ACT	18	1,390	1,399	9
Post Prom	1,946	3,341	3,460	1,827

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS -

STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS JULY 1, 2003	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT GROUPS JUNE 30, 2004
High School Activities (Continued):				
Publications	\$7,709	\$30,582	\$33,379	\$4,912
Rose Memorial	250	0	0	250
SADD	(69)	0	0	(69)
Scholarship	(900)	2,900	2,000	0
Science Olympiad	(205)	0	0	(205)
Science Textbook	12	0	0	12
Skills 4 Actions	(13)	903	944	(54)
Sociology Textbook	240	0	0	240
Spanish Club	58	0	0	58
Special Education	1	0	0	1
Stanford Trip	275	0	0	275
Student Council	1,310	3,481	4,603	188
Student Incentives	39	0	0	39
Tech Fundraiser	106	0	0	106
Track	89	4,260	4,252	97
Varsity Baseball	651	45	306	390
Varsity Cheerleaders	(471)	10,469	7,509	2,489
Varsity Club	(289)	1,556	868	399
Varsity Softball	483	175	250	408
Vocal Music	(262)	2,409	1,988	159
Volleyball	375	5,912	4,484	1,803
Wolfpack Basketball	1,410	10,157	9,061	2,506
Total High School	\$48,830	\$222,328	\$225,486	\$45,672

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS -

STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Middle School Activities:				
5th Grade Trip	\$139	\$0	\$0	\$139
6th Grade Plays	891	2,486	2,175	1,202
8th Grade Plays	192	1,460	1,452	200
8th Grade Trip	29	7,435	7,048	416
Athletics	1,502	7,648	9,655	(505)
Band	(441)	2,683	2,432	(190)
Book Charges	511	30	0	541
Book Club	63	0	0	63
Calculators	(43)	0	0	(43)
Camp	1,159	0	0	1,159
Conference	(120)	0	0	(120)
Horticulture Club	1,608	1,200	2,606	202
Interest	994	6,151	7,074	71
Jr. FFA	672	92	75	689
Library	347	55	175	227
Living Skills	2,387	0	0	2,387
Lock Charges	34	0	0	34
Miscellaneous Charges	(1,609)	55	201	(1,755)
PALS	325	0	9	316
Pegs	(299)	0	0	(299)
Play Productions	331	0	0	331
Postage	42	0	0	42
Quest	(48)	0	0	(48)
Recycle Fundraiser	(22)	0	0	(22)
Student Council	4,872	7,206	8,119	3,959
Talent Show	181	0	0	181
TALK	291	932	1,109	114
Tech Ed	(4,285)	0	0	(4,285)
Total Middle School	\$9,703	\$37,433	\$42,130	\$5,006
Elementary Activities	28,266	40,054	42,821	25,499
<u>TOTALS</u>	<u>\$86,799</u>	<u>\$299,815</u>	<u>\$310,437</u>	<u>\$76,177</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

<hr/>		
	<u>MARGARET SCOUTTEN SCHOLARSHIP FUND</u>	
<u>BALANCE - JULY 1, 2003</u>		\$25,095
<u>RECEIPTS</u>		
Interest		629
Donations		850
Total Receipts		<u>\$1,479</u>
<u>DISBURSEMENTS</u>		
Scholarship Awards		<u>2,105</u>
<u>BALANCE - JUNE 30, 2004</u>		<u>\$24,469</u>
<hr/>		
	<u>RAYMOND O. NASH MEMORIAL FUND</u>	
<u>BALANCE - JULY 1, 2003</u>		\$16,624
<u>RECEIPTS</u>		
Interest		310
<u>DISBURSEMENTS</u>		<u>0</u>
<u>BALANCE - JUNE 30, 2004</u>		<u>\$16,934</u>
<hr/>		
	<u>ALL SCHOLARSHIP FUNDS</u>	
<u>BALANCE - JUNE 30, 2004</u>		<u>\$41,403</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2004

1996 REFUNDING BONDS

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2004-2005	\$420,000	4.500%	\$179,042	\$179,042	\$778,084
2005-2006	415,000	4.600%	169,382	169,382	753,764
2006-2007	410,000	4.750%	159,526	159,526	729,052
2007-2008	410,000	4.900%	149,481	149,481	708,962
2008-2009	405,000	5.000%	139,231	139,231	683,462
2009-2010	400,000	5.100%	128,903	128,903	657,806
2010-2011	400,000	5.200%	118,503	118,503	637,006
2011-2012	395,000	5.300%	107,903	107,903	610,806
2012-2013	395,000	5.375% (1)	97,287	97,287	589,574
2013-2014	415,000		86,672	86,672	588,344
2014-2015	410,000		75,519	75,519	561,038
2015-2016	410,000	5.375% (2)	64,500	64,500	539,000
2016-2017	405,000		53,481	53,481	511,962
2017-2018	400,000		42,597	42,597	485,194
2018-2019	400,000		31,847	31,847	463,694
2019-2020	395,000		21,097	21,097	437,194
2020-2021	390,000		10,481	10,481	410,962
<u>TOTAL</u>	<u>\$6,875,000</u>		<u>\$1,635,452</u>	<u>\$1,635,452</u>	<u>\$10,145,904</u>

(1) \$1,615,000 term bonds due May 1, 2015

(2) \$2,400,000 term bonds due May 1, 2021

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE - MAY 15TH</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2005	\$0	4.761353%	\$0	\$0
2006	2,779	4.761353%	1,253	4,032
2007	2,910	4.761353%	1,120	4,030
2008	3,050	4.761353%	982	4,032
2009	3,195	4.761353%	837	4,032
2010	3,347	4.761353%	684	4,031
2011	3,506	4.761353%	525	4,031
2012	3,673	4.761353%	358	4,031
2013	14,216	4.761353%	4,807	19,023
<u>TOTAL</u>	<u>\$36,676</u>		<u>\$10,566</u>	<u>\$47,242</u>

LAINGSBURG COMMUNITY SCHOOLS - LAINGSBURG, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2004

2001 SCHOOL BUILDING & SITE BONDS

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST PAYMENTS DUE</u>		<u>TOTAL</u>
			<u>NOVEMBER 1</u>	<u>MAY 1</u>	
2004-2005	\$350,000	3.700%	\$346,856	\$346,856	\$1,043,712
2005-2006	375,000	3.850%	340,381	340,381	1,055,762
2006-2007	425,000	4.000%	333,163	333,163	1,091,326
2007-2008	450,000	4.150%	324,663	324,663	1,099,326
2008-2009	450,000	4.300%	315,325	315,325	1,080,650
2009-2010	450,000	4.400%	305,650	305,650	1,061,300
2010-2011	475,000	4.450%	295,750	295,750	1,066,500
2011-2012	525,000	4.600%	285,181	285,181	1,095,362
2012-2013	525,000	4.700%	273,106	273,106	1,071,212
2013-2014	550,000	4.800%	260,769	260,769	1,071,538
2014-2015	550,000	4.900%	247,569	247,569	1,045,138
2015-2016	550,000	5.750%	234,094	234,094	1,018,188
2016-2017	550,000	5.750%	218,281	218,281	986,562
2017-2018	550,000	5.750%	202,469	202,469	954,938
2018-2019	550,000	5.125%	186,656	186,656	923,312
2019-2020	550,000	5.125%	172,563	172,563	895,126
2020-2021	550,000	5.125%	158,469	158,469	866,938
2021-2022	550,000	5.250%	144,375	144,375	838,750
2022-2023	550,000	5.250%	129,938	129,938	809,876
2023-2024	550,000	5.250%	115,500	115,500	781,000
2024-2025	550,000	5.250%	101,063	101,063	752,126
2025-2026	550,000	5.250%	86,625	86,625	723,250
2026-2027	550,000	5.250%	72,188	72,187	694,375
2027-2028	550,000	5.250%	57,750	57,750	665,500
2028-2029	550,000	5.250%	43,312	43,312	636,624
2029-2030	550,000	5.250%	28,875	28,875	607,750
2030-2031	550,000	5.250%	14,437	14,437	578,874
<u>TOTAL</u>	<u>\$13,925,000</u>		<u>\$5,295,008</u>	<u>\$5,295,007</u>	<u>\$24,515,015</u>



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 29, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Laingsburg Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laingsburg Community Schools, as of and for the year ended June 30, 2004, which collectively comprise the Laingsburg Community Schools' basic financial statements and have issued our report thereon dated July 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Laingsburg Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Laingsburg Community Schools, in a separate letter dated July 29, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Laingsburg Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Laingsburg Community Schools, in a separate letter dated July 29, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 29, 2004

To the Board of Education of
Laingsburg Community Schools

In planning and performing our audit of the financial statements of Laingsburg Community Schools for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Laingsburg Community Schools' ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items of immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budget and Budgetary Accounting

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated during the year ended June 30, 2004. Laingsburg Community Schools incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated.

2. Trust and Agency Accounts

At June 30, 2004, some of the Activity Accounts had deficit balances. Activity accounts are only permitted to expend the funds they have taken in. They are not allowed to borrow from other activities thus creating a deficit balance.

3. Budgeting for Athletic Transfers

The transfers to the Athletic Fund for the payment of wages and fringes should be budgeted in the General Fund as an outgoing transfer and the transfers should be budgeted in the Athletic Fund as in incoming transfer.

FUTURE ISSUES

1. Chart of Accounts

As you may be aware of, the Center for Educational Performance and Information (CEPI) has implemented a new upload application/database for financial reporting for districts. This new application/database is called the Financial Information Database (FID). For the fiscal year 2003 – 2004 you will be required to submit your financial data via the FID. The EDN/Form B submission process has been eliminated and is no longer available. The due date for the 2003 – 2004 FID submission is November 15, 2004.

2. 2001 Building and Site Bonds

Upon receipt of the certificate of substantial completion, Michigan law requires that an audit be performed on the use of the funds from the voter approved bonds.



Laingsburg Community Schools

Page 2

July 29, 2004

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of the Board of Education and management and others within the administration of Laingsburg Community Schools. This restriction is not intended to limit distribution of this report, which, upon acceptance of the Board of Education, is a matter of public record.

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.

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